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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

NO SURFACE USE OIL AND GAS LEASE
(Paid-Up Lease)
(Sears Non Retail Unit Number 1447)

This No Surface Use Oil and Gas Lease (this "Lease") is made on October 23, 2008, between SRC Real Estate (TX), LP, (hereafter called "Lessor") whose address is 3333 Beverly Road, Hoffman Estates, IL 60179, and Vargas Energy, Ltd., (hereafter called "Lessee"), whose address is 4200 S. Hulen Street Suite 614, Fort Worth, Texas 76109.

1. Grant. In consideration of Ten (\$10.00) Dollars and other consideration in hand paid, Lessor grants and leases exclusively unto Lessee the following legally described land commonly known as 4800 South Hulen Street, Fort Worth, Texas 76132 (the "Land") in Tarrant County, Texas:

14.11 acres of land, more less, being part of Block 1, Hulen Mall Addition to the City of Fort Worth, Tarrant County, Texas, and being part of the George Shields Survey, A-1436, more fully described in a Warranty Deed dated December 8, 2003 from Sears, Roebuck and Co., Grantor, to SRC Real Estate (TX), LP, recorded as Instrument Number D203452395, in the Official Public Records of Tarrant County, Texas;

for the purpose of exploring for, developing, drilling, producing and marketing oil and gas, along with all hydrocarbon and non-hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gasses, as well as hydrocarbon gasses.

2. Primary Term. This Lease is for a term of two (2) years from this date (called "Primary Term") and as long thereafter as oil or gas is produced in paying quantities from the Land or land pooled therewith.

3. Minerals Covered. This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons and their constituent elements produced through a well bore.

BY
TARRANT COUNTY CLERK
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TARRANT COUNTY TEXAS

4. Royalty.

(a) As royalties, Lessee agrees: To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, 25% (the "**Royalty Fraction**") of all oil, gas (including all gases, liquid hydrocarbons and their respective constituent elements, casinghead gas, or other gaseous substances), and other liquid hydrocarbons produced and saved from the Land. At Lessor's option, which may be exercised from time to time, and which shall be the default method of payment if no election is made by Lessor, Lessee shall pay to Lessor the Royalty Fraction of the proceeds of all oil, gas and other liquid hydrocarbons recovered or separated on the Land, produced and saved from the Land and sold by Lessee in an arms' length transaction; and as to such oil, gas, and other liquid hydrocarbons not sold by Lessee in an arms' length transaction, royalties of that share or percentage shall be calculated by using the highest price paid for oil, gas, and other liquid hydrocarbons of comparable quality in the general area where produced and when run.

(b) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all times hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest at the legal rate if not timely paid.

5. Operations.

(a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land, but Lessee has commenced operations for the drilling of a well on the Land, or lands pooled therewith, the Lease will not terminate but will remain in effect for so long thereafter as operations on the Land are carried out with no cessation of more than 90 days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: preparation for drilling, drilling, testing, completing, reworking, fracturing, recompleting, deepening, plugging back, or repairing of a well in search of or in the endeavor to obtain, maintain, re-establish or enhance production of oil or gas with no cessation of more than 90 days.

(b) If after the expiration of the Primary Term production from any well shall cease for any cause, Lessee shall have 90 days from the cessation of production

to commence, and thereafter prosecute drilling or reworking operations in a good faith attempt to restore production from the Land or lands pooled therewith with no cessation of more than 90 days, and if such operations result in production, this Lease shall continue for so long as production in paying quantities continues or this Lease is otherwise maintained in force.

(c) As a result of land development in the vicinity of the Land, governmental rules or ordinances regarding well sites, and/or surface restrictions as may be set forth in this Lease and/or other leases in the vicinity, surface locations for well sites in the vicinity may be limited and Lessee may encounter difficulty securing surface location(s) for drilling, reworking or other operations. Therefore, since drilling, reworking or other operations are either restricted or not allowed on the Land or other leases in the vicinity, it is agreed that any such operations conducted at a surface location off of the Land or off of lands with which the Land is pooled in accordance with this Lease, provided that such operations are associated with a directional well for the purpose of drilling, reworking, producing or other operations under the Land or lands pooled therewith, shall for purposes of this Lease be deemed operations conducted on the Land. Nothing contained in this paragraph is intended to modify any surface restrictions or pooling provisions or restrictions contained in this Lease, except as expressly stated.

6. Surface Use. Lessee is prohibited from using the surface of the Land for any purpose, but Lessee may engage in directional drilling activities beneath the Land that are conducted on the surface of other land. Any directional drilling must penetrate the Land sufficiently below the surface as to not interfere with the present or future use of the surface of the Land for commercial or residential use, and in no event may the directional drilling penetrate the Land less than 200 feet below the surface. A directional well drilled under this provision shall be considered to be located on the Land.

7. Shut-in Royalty. If Lessee has drilled a well on the Land or lands with which the Land is pooled, and such well is capable of producing gas in paying quantities, but gas is not being produced from such well in paying quantities, and this Lease is not otherwise being maintained, Lessee shall pay or tender as shut-in royalty a sum equal to \$50.00 for each net acre of the Land covered by this Lease. The first such payment shall be made on or before the first day of the calendar month at the expiration of 90 days from the date the well is shut-in, and thereafter subsequent payments may be made annually on the anniversary date the well was shut-in. When shut-in royalty payments are timely and properly paid, this Lease will be deemed a producing lease for a period of one year after the well is shut-in. The obligation of the Lessee to pay shut-in royalty is a covenant and not a condition, and if Lessee, for any reason, should fail to

make a shut-in royalty payment on or before its due date, Lessor shall notify Lessee in writing of such failure and this Lease shall not terminate as a result of Lessee's failure to make a shut-in royalty payment unless Lessee fails to make such shut-in royalty payment within 60 days from the receipt of written notice from Lessor. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered on or before the due date to the parties who at the time of such payment would be entitled to receive royalty hereunder, or deposited on or before the due date directly with Lessor at address shown herein.

8. Pooling. Lessee shall have the right to pool, as to any one or more formations, the Land with other land or leases in the vicinity thereof, to form pooled units for the production of oil and gas or either of them. Units pooled for oil shall not exceed 40 acres, plus a tolerance of 10%, and units for gas shall not exceed 320 acres, plus a tolerance of 10%, provided that if a governmental authority having jurisdiction prescribes or permits a unit for the drilling or operation of a well to be larger than those specified hereunder, units created thereafter may conform substantially in size to those prescribed or permitted by the governmental authority. If the well is a Horizontal Well, as defined in the Rules of the Texas Railroad Commission, the unit may contain the additional acreage permitted by Rule 86 of the Texas Railroad Commission. The unit will become effective when Lessee files in the Real Property Records of the county where the Land is located a document describing the pooled acreage and depths for the pooled unit, and Lessee delivers a copy of the document to the Lessor. Lessee may at its election exercise its pooling option before or after commencing operations. Operations for drilling on or production of oil or gas from any part of a pooled unit that includes land covered by this Lease shall be considered as operations on or production of oil or gas from the portion of the Land included in the pooled unit. There shall be allocated to the Land included in the unit that prorated portion of the oil and gas, or either of them, produced from the pooled unit that the number of surface acres of the Land included in the unit bears to the total number of surface acres included in the unit. Royalties shall be computed on the portion of production allocated to the Land.

9. Vertical Depth Severance Clause. Notwithstanding any other provisions of this Lease, it is understood and agreed that two (2) years after the expiration of the Primary Term of this Lease this lease shall terminate as to all depths 100 feet below the stratigraphic equivalent of the base of the deepest producing formation.

10. Force Majeure. Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this

Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Land; and the time while Lessee is so prevented will not be counted against Lessee. Lessee must provide notice of Force Majeure to Lessor at the address provided in Section 12 of this Lease within 60 days of being prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on the Land, or from producing oil or gas. **“Force Majeure”** means any Act of God, any federal or state law, scarcity of drilling rigs or other equipment, inability to obtain a drilling permit, any rule or regulation of governmental authority, (other than financial reasons, including but not limited to cost of purchasing or financing drilling rigs or other equipment).

11. Warranties. Lessor warrants and agrees to defend the title to the leased premises against all persons who lawfully claim title to the leased premises or any part thereof, by, through or under Lessor, but not otherwise. In the event of failure of title, it is agreed that if Lessor owns an interest in oil, gas or leased substances on, in or under said land less than the entire fee simple estate, whether or not this Lease purports to cover the whole or a fractional interest, then the rentals, shut-in royalties, or royalties to be paid Lessor shall be reduced in the proportion that Lessor's interest bears to the whole and undivided fee in accordance with the nature of the estate of which Lessor is seized. If a tax, mortgage, or other lien, interest, or other charge on the Land is in default, Lessee, after giving fifteen (15) business day notice to Lessor, may at Lessee's option discharge such tax, mortgage, or other lien or interest and other charges on the Land, and in the event Lessee does so, Lessee will have the option of applying the royalties accruing to Lessor toward payment of same and Lessee shall be subrogated to the rights of the holder thereof. Notwithstanding any other provisions of this paragraph, Lessor shall have opportunity to cure any default within sixty (60) days.

12. Notice and Payment Delivery Addresses. All notices and payments will be deemed given and report will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor at the following address:

Sears, Roebuck and Co.
Vice President of Real Estate
3333 Beverly Road, Dept. 824RE
Hoffman Estates, IL 60179

with carbon copy of all notices and payments to the following address:

Sears, Roebuck and Co.
Divisional Vice President of Real Estate - Legal
3333 Beverly Road, Dept. 824RE
Hoffman Estates, IL 60179

and carbon copy of all notices to the following address:

Touchstone Bernays
4040 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

All notices and payments will be deemed given and report will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessee at the following address:

Vargas Energy, Ltd.
4200 S. Hulen
Suite 614
Fort Worth, Texas 76109

Either party may designate a new address or addresses by proper notice to the other party.

13. Insurance. At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the Land, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damages to the environment, including coverage for the costs of clean up and surface remediation. The coverage shall be in the amount of \$10,000,000. If Lessee conducts actual physical operations on the Land, upon request, Lessee shall furnish a certificate from the issuing insurance company or companies evidencing the coverage, including worker's compensation insurance.

14. Indemnity. LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES AND CAUSES OF ACTION OF ANY NATURE FOR NUISANCE, FOR INJURY TO OR DEATH OF PERSONS, FOR LOSS OR DAMAGE TO PROPERTY OR ANY OF THEM,

INCLUDING WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY, ARISING OUT OF, OR RESULTING FROM THIS LEASE, LESSEE'S OPERATIONS OR LESSEE'S MARKETING OR PRODUCTION FROM THE LAND, OR ANY VIOLATION OF ENVIRONMENTAL REQUIREMENTS IN CONNECTION WITH THIS LEASE BY LESSEE OR LESSOR, EVEN IF SAID CLAIM IS BASED ON THE NEGLIGENCE OR OTHER FAULT OF LESSOR(EXCLUDING GROSS NEGLIGENCE OR WILFUL MISCONDUCT). AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, ANY OTHER PERSON ACTING UNDER LESSEE'S DIRECT CONTROL, AND LESSEE'S INDEPENDENT CONTRACTORS. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE FOR A PERIOD OF FIVE (5) YEARS.

15. Miscellaneous Provisions.

- (a) In the event this Lease expires for any reason as to all or any part of the Land, Lessee shall, within 60 days thereafter, furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.
- (b) Lessee will conduct all operations hereunder in compliance with the rules of the Railroad Commission of Texas and federal and state environmental laws and regulations.
- (c) The terms "production" and "producing" mean production and producing in paying quantities. No obligation of Lessee to pay money under this lease will be excused or delayed by reason of Force Majeure. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution and ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document.
- (d) Lessee owes to Lessor a duty of good faith and diligent operations.
- (e) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, affiliates and assigns.

Executed on the date first written above.

LESSOR:

SRC Real Estate (TX), LP, a Delaware limited partnership

By SRC Real Estate Holdings (TX), LLC, a Delaware limited liability company, its general partner

By SRC FACILITIES STATUTORY TRUST NO. 2003-A, a Delaware statutory trust with series, sole member

By U.S. Bank Trust National Association, not in its individual capacity but solely as trustee

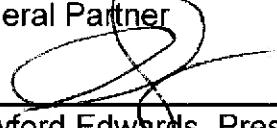
By: 

Patricia M. Child
Vice President

LESSEE:

Vargas Energy, LTD.

By Plover Production Company, LLC, its sole General Partner

By: 

Crawford Edwards, President

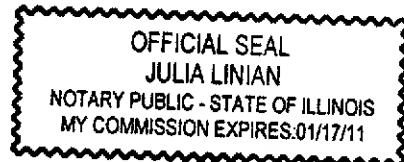
STATE OF ILLINOIS

COUNTY OF COOK

This instrument was acknowledged before me on the 23rd day of OCTOBER,
2008, by Patricia M. Child Vice President of U.S. Bank Trust National Association,
not in its individual capacity but solely as trustee of SRC FACILITIES STATUTORY TRUST
NO. 2003-A, a Delaware statutory trust with series, sole member of SRC Real Estate Holdings
(TX) LLC, a Delaware limited liability company, general partner of SRC Real Estate (TX), LP, a
Delaware limited partnership.

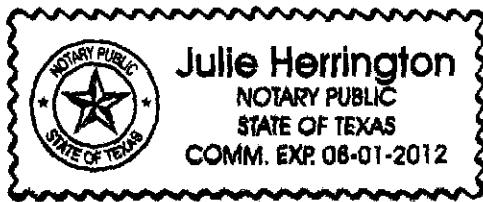


Notary Public, State of Illinois



STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me on the 4th day of November,
2008, by Crawford Edwards, President of Plover Production Company, sole General Partner of
Vargas Energy, Ltd., a Texas limited partnership, on behalf of the partnership.



A handwritten signature of the name "Julie Herrington" in cursive script.

Notary Public, State of Texas

Return to: VARGAS ENERGY, Ltd.
Brett Austin
4200 S. Hulen, Suite 614
Fort Worth, TX 76109



VARGAS ENERGY LTD
BRETT AUSTIN
4200 S HULEN STE 614
FT WORTH TX 76109

Submitter: DANNA G HOBBS

SUZANNE HENDERSON
TARRANT COUNTY CLERK
TARRANT COUNTY COURTHOUSE
100 WEST WEATHERFORD
FORT WORTH, TX 76196-0401

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 11/12/2008 10:58 AM
Instrument #: D208425184
OPR 11 PGS \$52.00

By: _____



D208425184

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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